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January 23, 2009

HAND-DELIVERED

Dear Representative Murphy:
Speaker

I write for two reasons:

1. I would like to answer a question several of you have asked me regarding the Medicaid bill passed last session.
2. I appeal to you to maintain Medicaid reimbursement through these tough economic times.

In traveling the state to meet with legislators during the off-session, several of you asked how Iowa Health System hospitals were handling the Medicaid increase, and specifically, whether the increase was being passed on to nurses at our hospitals. In short, the answer is absolutely.

At the end of the Iowa Legislative session, you passed a bill that called for Medicaid reimbursement rates to increase by 1 percent for the fiscal year that begins July 1, 2008. The bill stated: "For the fiscal year beginning July 1, 2008, reimbursement rates for inpatient and outpatient hospital services shall be increased by 1 percent over the rates in effect on June 30, 2008." We interpreted this to mean that the value of 1 percent of the Medicaid increase at each of our hospitals was to be directed to nurse salaries.

Throughout Iowa Health System, the additional Medicaid funding is being included in nurses' annual pay increases. Some of our hospital staff already have received their annual raises, while other staff still will have their pay increases forthcoming.

The measure to which the Medicaid increase impacts nurse pay raises varies by the number of Medicaid patients served at each hospital. These raises for staff nurses have been and are being implemented despite the fact that each of our hospitals and our corporate office have undergone a salary freeze for all management-level employees.

We appreciate the Iowa Legislature approving additional Medicaid funding last year. The reimbursement we receive from the federal and state government directly impacts our ability to offer competitive nurse salaries in Iowa. We will continue to work with hospital advocates on the state and federal levels to bring additional Medicaid and Medicare funding to our hospitals.

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On the second point, I recognize the constraints that the state budget and the state of the economy have placed on you in making budget decisions. I am aware of discussions to cut provider Medicaid reimbursement by 3.96 percent over the remainder of the fiscal year to help make budget. I hope, as I am sure you do, that a federal economic stimulus package will contain additional funding for Medicaid, making this cut unnecessary.

If the economic stimulus package contains such funding, I ask that you commit to directing a sufficient amount of funding to the Medicaid program so such cuts do not materialize. I make this request on behalf of our affiliate hospitals, and our employees. Thank you for your consideration and for the hard work you face ahead during this legislative session.

Respectfully,

A handwritten signature in dark ink, appearing to read "Bill", written in a cursive, stylized script.

William B. Leaver

Iowa Health System – Nurse Salary Increases

Hospital	Funds available for nurse salary increase prior to 1% Medicaid increase	1% increase	Total Funds Available for Nurse Salary Increase	Timing of increase
Allen Health System	\$742,933.61	\$64,186.39	\$807,120.00	Increase planned for May 2009
Iowa Health DSM (Methodist, Lutheran & Blank)	\$2,806,059.00	\$293,940.93	\$3,100,000.00	In effect for 2008-2009
St. Luke's Sioux City	\$236,787.94	\$72,532.06	\$309,320.00	Discussions underway for 2009
St. Luke's Cedar Rapids	\$1,274,870.30	\$145,254.76	\$1,420,125.00	Discussions underway for 2009
Finley	\$491,142.00	\$30,070.86	\$521,212.86	Market increase in 2008; contract negotiation underway for 2009
Trinity – Bettendorf	\$174,328.32	\$27,906.38	\$202,234.70	May 2009 Increase
Trinity – Fort Dodge	\$666,449.98	\$51,928.02	\$718,378.00	2009 Discussions underway